



**MUNISIPALITEIT
RICHTERSVELD
MUNICIPALITY**

Die Richtersveld leuse is:

!Ghâi //Khoredi

Dit beteken: "Strewe na sukses" in Nama

DRAFT ANNUAL BUDGET OF
RICHTERSVELD
MUNICIPALITY

2018/19 TO 2020/21
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	GAMAP	Generally Accepted
BPC	Budget Planning Committee		Municipal Accounting Practice
CBD	Central Business District	GDP	Gross domestic product
CFO	Chief Financial Officer	GFS	Government Financial Statistics
CPI	Consumer Price Index	GRAP	General Recognised Accounting
DBSA	Development Bank of South Africa		Practice
DoRA	Division of Revenue Act	HR	Human Resources
DWA	Department of Water Affairs	HSRC	Human Science Research Council
EE	Employment Equity	IDP	Integrated Development Strategy
EM	Executive Mayor	IT	Information Technology
FBS	Free basic services	kl	kilolitre

km kilometre
 KPA Key Performance Area
 KPI Key Performance Indicator
 kWh kilowatt
 l litre
 LED Local Economic Development
 MEC Member of the Executive Committee
 MFMA Municipal Financial Management Act
 Programme
 MIG Municipal Infrastructure Grant
 MM Municipal Manager
 MMC Member of Mayoral Committee
 MPRA Municipal Properties Rates Act
 MSA Municipal Systems Act
 MTEF Medium-term Expenditure Framework
 MTREF Medium-term Revenue and Expenditure Framework

NERSA National Electricity Regulator South Africa
 NGO Non-Governmental organisations
 NKPIs National Key Performance Indicators
 OHS Occupational Health and Safety
 OP Operational Plan
 PBO Public Benefit Organisations
 PHC Provincial Health Care
 PMS Performance Management System
 PPE Property Plant and Equipment
 PPP Public Private Partnership
 RG Restructuring Grant
 SALGA South African Local Government Association
 SDBIP Service Delivery Budget Implementation Plan
 SMME Small Micro and Medium Enterprises

Part 1 – Draft Annual Budget

1.1 Mayor's Report

Honourable councillors, municipal officials, partners in government, members of community, it is my privilege to present the draft 2018/19 annual budget.

This budget is a financial forecast of income and expenditure for Richtersveld Municipality.

It should be known that the municipality is currently serving an approximate 3014 households with basic services. This amount includes 1064 registered indigent households.

The total projected operational income amounts to R69 985 315 and the projected operation expenditure amounts to R67 471 032. This equates to a surplus of R2 514 283. The Budgeted Income and Expenditure for 2018/19 is based on a true reflection of actual expected outcomes at the end of June 2018.

Key Budgeted Expenditure Items

Some of the budgeted amounts have been based on realistic and inflation based increases.

Personnel Costs

- Salaries amount to 39.8% of total operating expenditure
- Salaries were increased by 7% for the draft budget
- New posts also included as well as performance bonuses

Other Expenditure

Other expenditure amounts to R9 058 793 equalling 13.4% of operating expenditure.

Capital Expenditure

The total Capital budgeted expenditure amounts to R26 661 700. The expenditure will be largely funded through National Grants.

- MIG Funding
- INEP Funding
- WSIG Funding
- EPWP Funding

The Municipality strives to adhere to realistic anticipated revenue. The municipality also made use of National Treasury Guidelines i.r.o. inflation and economic trends to compile 2018/19 MTREF

Financial Management Grant (FMG)

The allocation for 2018/19 financial year amounts to R1 970 000.00. This grant will be used for salaries of interns and the majority for implementation of MSCOA.

Management Systems Improvement Grant (MSIG)

The municipality has received no allocation i.r.o. 2018/19 financial year

Service Charges

The majority of tariffs were increased by 5.3% in line with Circular 85. Electricity tariffs were increased by 8 % as per MFMA Circular 91. The electricity rates still to be confirmed with NERSA.

Free Basic Services

Registered households with an income not exceeding R 3 200.00 per household qualifies for this subsidy. The subsidy consists of 6 kiloliter of free water, 50 kwh electricity, free refuse removal and free sanitation per month.

1.2 Council Resolutions

On 27 March 2018, the Council of Richtersveld Local Municipality met in the Council Chambers to consider the Draft Annual Budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Richtersveld Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The Draft Annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification).
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote).
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type).
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
2. The Council of Richtersveld Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
 - 2.1. the tariffs for property rates
 - 2.2. the tariffs for electricity
 - 2.3. the tariffs for the supply of water
 - 2.4. the tariffs for sanitation services
 - 2.5. the tariffs for solid waste services
 - 2.6. sundry income
3. The Council of Richtersveld Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 58, 59, 66, 67, 70, 72, 74, 75, 78, 85, 86, 79 and 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The continuing difficulties in the national and local economy;
- Ageing of water, sewerage, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will come a point where services will no longer be affordable to the community;
- Wage increases for municipal staff that continues to exceed consumer inflation.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2018/19 MTREF process; and
- The municipality is grant dependant as the income from consumers will not be able to fund operations
- The vastness of the municipal jurisdiction also attributes to the increase in direct and indirect cost to provide services to remote communities.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/19 MTREF

R thousands	Budget Year 2018/2019	Budget Year 2019/2020	Budget Year 2020/2021
Total Operating Revenue	69 985 315	72 748 996	77 601 732
Total Operating Expenditure	67 471 032	74 766 096	79 133 900
Surplus/(Deficit) for the year	2 514 283	(2 017 100)	(1 532 168)
Total Capital Expenditure	26 661 700	35 520 000	34 399 000

NC061 Richtersveld - Table A1 Budget Summary										
Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	8,775	10,256	9,951	12,994	12,994	12,994	12,994	13,882	14,421	15,214
Service charges	19,750	21,148	22,226	28,037	28,037	28,037	28,037	29,523	31,117	32,829
Investment revenue	325	390	187	430	430	430	430	452	477	503
Transfers recognised - operational	20,681	18,239	18,077	18,104	18,859	18,859	18,859	19,343	19,372	21,289
Other own revenue	7,005	5,259	8,406	6,633	6,633	6,633	6,633	6,985	7,352	7,767
Total Revenue (excluding capital transfers and contributions)	56,536	55,332	58,847	66,197	66,952	66,952	66,952	68,985	72,749	77,602
Employee costs	18,834	21,029	24,919	25,018	26,033	26,033	26,033	26,887	28,320	30,151
Remuneration of councillors	1,980	2,220	2,119	2,058	2,265	2,265	2,265	2,408	2,562	2,728
Depreciation & asset impairment	4,786	5,701	7,582	5,054	7,054	7,054	7,054	5,985	5,985	5,985
Finance charges	1,149	1,164	1,658	1,387	1,387	1,387	1,387	1,142	1,125	1,210
Materials and bulk purchases	10,421	12,021	12,921	13,581	13,670	13,670	13,670	15,228	16,308	17,487
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	20,053	21,140	25,127	18,291	23,826	23,826	23,826	15,841	20,467	21,592
Total Expenditure	57,233	63,275	74,327	65,389	74,241	74,241	74,241	67,471	74,768	78,134
Surplus/(Deficit)	(697)	(7,942)	(15,481)	808	(7,288)	(7,288)	(7,288)	2,514	(2,017)	(1,532)
Transfers and subsidies - capital (monetary allocation)	8,655	5,362	8,387	20,684	20,684	20,684	20,684	26,587	35,520	34,399
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	7,958	(2,581)	(7,094)	21,492	13,396	13,396	13,396	29,101	33,503	32,867
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	7,958	(2,581)	(7,094)	21,492	13,396	13,396	13,396	29,101	33,503	32,867
Capital expenditure & funds sources										
Capital expenditure	11,358	22,304	17,477	21,948	21,948	21,948	21,948	26,662	35,520	34,399
Transfers recognised - capital	11,232	18,945	14,926	20,684	20,682	20,682	20,682	26,587	35,520	34,399
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	3,065	1,524	-	-	-	-	-	-	-
Internally generated funds	124	294	1,027	1,264	1,266	1,266	1,266	75	-	-
Total sources of capital funds	11,358	22,304	17,477	21,948	21,948	21,948	21,948	26,662	35,520	34,399
Financial position										
Total current assets	5,305	6,001	4,731	38,195	32,090	5,692	5,692	14,248	19,808	28,357
Total non current assets	172,667	146,500	147,575	200,234	150,279	151,257	151,257	171,772	201,307	229,721
Total current liabilities	8,835	12,590	18,180	15,502	23,927	14,190	14,190	13,801	14,338	15,286
Total non current liabilities	14,336	20,340	21,649	14,454	21,472	21,472	21,472	21,832	22,884	24,025
Community wealth/Equity	154,801	119,570	112,476	208,473	136,978	121,286	121,286	160,387	183,880	216,757
Cash flows										
Net cash from (used) operating	8,483	5,500	7,764	25,481	23,385	23,385	23,385	43,314	41,047	40,920
Net cash from (used) investing	(10,345)	(6,122)	(7,879)	(22,110)	(22,110)	(22,110)	(22,110)	(26,500)	(35,520)	(34,399)
Net cash from (used) financing	(1,103)	(674)	(1,810)	1,025	1,025	1,025	1,025	(788)	30	30
Cash/cash equivalents at the year end	3,642	2,285	370	2,341	245	245	245	16,291	21,848	28,399
Cash backing/surplus reconciliation										
Cash and investments available	3,642	2,285	612	2,341	245	245	245	16,291	21,848	28,399
Application of cash and investments	4,144	5,660	10,447	(10,827)	(5,094)	12,415	12,415	15,984	16,068	17,083
Balance - surplus (shortfall)	(503)	(3,365)	(9,835)	18,968	5,339	(12,170)	(12,170)	307	5,783	11,316
Asset management										
Asset register summary (WDV)	172,667	146,500	147,575	200,072	150,117	151,095	-	171,772	201,307	228,721
Depreciation	4,786	6,701	7,582	5,054	7,054	7,054	-	5,985	5,985	5,985
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1,410	1,123	1,097	1,729	2,997	2,997	-	3,089	3,256	3,435
Free services										
Cost of Free Basic Services provided	282	-	-	1,139	1,139	1,139	1,199	1,199	1,284	1,333
Revenue cost of free services provided	-	-	-	1,267	1,267	1,267	1,334	1,334	1,406	1,463
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	0	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	3	-	-	-	-	-	-	-	-	-

1.4 Operating Revenue Framework

For Richtersveld Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 98 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2: Summary of revenue and expenditure by standard classification

NC061 Richtersveld - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional	1									
<i>Governance and administration</i>		32,165	30,673	30,928	34,519	35,274	35,274	36,790	38,710	41,690
Executive and council		1,206	111	711	-	-	-	-	-	-
Finance and administration		30,959	30,641	30,217	34,519	35,274	35,274	36,790	38,710	41,690
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		2,597	2,957	3,477	3,321	3,312	3,312	3,307	2,221	2,343
Community and social services		1,301	1,549	2,118	1,300	1,300	1,300	1,188	(12)	(13)
Sport and recreation		1,195	1,397	1,364	2,006	1,997	1,997	2,103	2,216	2,338
Public safety		-	-	-	-	-	-	-	-	-
Housing		15	10	-	19	19	19	20	21	23
Health		(3)	-	(5)	(4)	(4)	(4)	(4)	(4)	(4)
<i>Economic and environmental services</i>		7,243	5,378	6,519	7,549	7,549	7,549	7,462	7,523	7,674
Planning and development		-	-	-	33	33	33	34	38	38
Road transport		7,243	5,378	6,519	7,516	7,516	7,516	7,428	7,487	7,638
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		23,185	21,686	26,310	41,492	41,602	41,602	49,012	59,816	60,293
Energy sources		8,954	10,000	11,710	19,176	19,187	19,187	19,833	19,928	19,189
Water management		6,974	5,634	5,459	13,762	13,762	13,762	23,174	30,397	34,089
Waste water management		5,342	2,681	5,985	3,835	3,834	3,834	4,038	4,268	4,490
Waste management		2,916	3,066	3,156	4,718	4,718	4,718	4,968	5,237	5,525
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	65,191	60,694	67,234	86,881	87,638	87,638	98,572	109,289	112,001
Expenditure - Functional										
<i>Governance and administration</i>		21,021	23,673	34,302	29,659	31,819	31,819	28,044	30,576	32,338
Executive and council		5,746	3,595	10,451	7,131	7,594	7,594	6,387	6,588	6,981
Finance and administration		15,275	19,078	23,851	22,529	24,225	24,225	21,657	23,988	25,356
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		6,339	7,437	4,493	4,668	4,882	4,882	5,792	6,116	6,468
Community and social services		3,425	3,700	4,390	2,203	2,203	2,203	2,139	2,285	2,401
Sport and recreation		2,691	1,001	1,752	1,723	1,757	1,757	2,205	2,314	2,430
Public safety		110	68	91	58	58	58	78	83	87
Housing		198	172	(1,700)	608	781	781	1,328	1,410	1,500
Health		65	413	41	84	84	84	43	45	48
<i>Economic and environmental services</i>		6,552	6,634	10,392	6,193	6,315	6,315	7,129	7,431	7,779
Planning and development		-	-	-	1,396	1,396	1,396	1,524	1,597	1,699
Road transport		6,552	6,634	10,392	4,797	4,919	4,919	5,605	5,834	6,080
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		24,320	25,531	25,140	24,869	31,224	31,224	26,507	30,643	32,551
Energy sources		13,218	13,705	14,749	15,046	15,092	15,092	15,865	17,998	19,216
Water management		5,384	5,472	4,683	3,638	9,711	9,711	3,707	4,577	4,813
Waste water management		2,735	2,933	2,679	3,827	3,922	3,922	3,795	4,354	4,604
Waste management		2,984	3,420	3,030	2,459	2,499	2,499	3,140	3,716	3,918
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	57,233	63,275	74,327	65,389	74,241	74,241	67,471	74,768	79,134
Surplus/(Deficit) for the year		7,958	(2,581)	(7,094)	21,492	13,396	13,396	29,101	33,503	32,867

Capital transfers and contributions are excluded from the operating statements, in order to see the surplus/deficit.

Plans are in place to address the lack of revenue collected and improve the collection rate. These include the cutting of services and sending lawyers letters to consumers whose accounts have been in arrears for long periods

NC061 Richtersveld - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1									
Vote 1 - Executive and council		1,206	1,000	747	-	-	-	-	-	-
Vote 2 - Administration: Corporate		21,068	20,304	21,069	18,641	18,641	18,641	19,733	19,395	21,015
Vote 3 - Administration: Community		1,507	1,407	1,975	3,042	3,042	3,042	3,203	3,376	3,562
Vote 4 - Financial Services		11,009	11,357	12,166	16,243	16,998	16,998	18,989	18,265	19,568
Vote 5 - Infrastructure		30,401	27,232	31,275	48,956	48,956	48,956	56,375	67,233	67,856
Total Revenue by Vote	2	65,191	60,694	67,234	86,881	87,636	87,636	96,300	108,269	112,001
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and council		5,746	5,313	10,451	7,131	7,594	7,594	6,387	6,588	6,981
Vote 2 - Administration: Corporate		14,209	17,074	14,505	9,613	11,329	11,329	9,739	10,264	10,888
Vote 3 - Administration: Community		5,419	5,421	6,439	4,509	4,720	4,720	6,723	6,937	7,249
Vote 4 - Financial Services		3,663	5,216	13,960	13,813	13,866	13,866	11,840	13,810	14,650
Vote 5 - Infrastructure		28,196	30,251	28,973	30,323	36,731	36,731	32,782	37,167	39,366
Total Expenditure by Vote	2	57,233	63,275	74,327	65,389	74,241	74,241	67,471	74,766	79,134
Surplus/(Deficit) for the year	2	7,958	(2,581)	(7,094)	21,492	13,396	13,396	28,829	33,503	32,867

NC061 Richtersveld - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	8,775	10,296	9,951	12,994	12,994	12,994	12,994	13,682	14,421	15,214
Service charges - electricity revenue	2	8,361	9,548	10,207	11,805	11,805	11,805	11,805	12,431	13,102	13,823
Service charges - water revenue	2	5,974	5,834	5,412	7,720	7,720	7,720	7,720	8,129	8,568	9,039
Service charges - sanitation revenue	2	2,847	2,681	3,864	3,889	3,889	3,889	3,889	4,095	4,316	4,554
Service charges - refuse revenue	2	2,916	3,086	3,156	4,623	4,623	4,623	4,623	4,868	5,131	5,413
Service charges - other		(348)	-	(412)	-	-	-	-	-	-	-
Rental of facilities and equipment		1,785	1,721	1,947	1,431	1,431	1,431	1,431	1,507	1,588	1,676
Interest earned - external investments		325	390	187	430	430	430	430	452	477	503
Interest earned - outstanding debtors		1,840	2,372	2,715	1,942	1,942	1,942	1,942	2,045	2,166	2,274
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	9	23	23	113	19	19	19	19	20	21	22
Licences and permits	65	155	301	95	95	95	95	95	101	106	112
Agency services	365	418	431	378	378	378	378	378	399	420	443
Transfers and subsidies		20,681	18,239	18,077	18,104	18,859	18,859	18,859	19,071	19,372	21,289
Other revenue	2	2,940	571	2,898	2,767	2,767	2,767	2,767	2,914	3,071	3,240
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		56,536	55,332	58,847	66,197	66,952	66,952	66,952	69,713	72,749	77,602
Expenditure By Type											
Employee related costs	2	18,834	21,029	24,919	25,018	26,033	26,033	26,033	26,867	28,320	30,151
Remuneration of councillors		1,980	2,220	2,119	2,058	2,265	2,265	2,265	2,408	2,562	2,728
Debt Impairment	3	4,423	6,707	6,818	2,126	6,126	6,126	6,126	894	4,713	4,972
Depreciation & asset impairment	2	4,796	5,701	7,582	5,054	7,054	7,054	7,054	5,985	5,985	5,985
Finance charges		1,149	1,164	1,658	1,387	1,387	1,387	1,387	1,142	1,125	1,210
Bulk purchases	2	10,421	12,021	12,921	13,581	13,676	13,676	13,676	14,464	15,503	16,617
Other materials	8	-	-	-	-	-	-	-	764	805	850
Contracted services		2,030	1,683	1,806	5,957	7,157	7,157	7,157	5,888	6,208	6,547
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	13,552	12,837	13,743	10,209	10,544	10,544	10,544	9,059	9,548	10,073
Loss on disposal of PPE		47	112	2,760	-	-	-	-	-	-	-
Total Expenditure		57,233	63,275	74,327	65,389	74,241	74,241	74,241	67,471	74,768	79,134
Surplus/(Deficit)		(697)	(7,942)	(15,481)	808	(7,288)	(7,288)	(7,288)	2,242	(2,017)	(1,532)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		8,655	5,362	8,387	20,684	20,684	20,684	20,684	26,587	35,520	34,399
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		7,958	(2,581)	(7,094)	21,492	13,396	13,396	13,396	28,829	33,503	32,867
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		7,958	(2,581)	(7,094)	21,492	13,396	13,396	13,396	28,829	33,503	32,867
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		7,958	(2,581)	(7,094)	21,492	13,396	13,396	13,396	28,829	33,503	32,867
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		7,958	(2,581)	(7,094)	21,492	13,396	13,396	13,396	28,829	33,503	32,867

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R25 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).

Table 3 Comparison of proposed rates to be levied for the 2018/2019 financial year

Category	Current tariff (1 July 2017)	Proposed tariff (1 July 2018)
Residential Properties	0.010517	0.011105
Business & Commercial	0.013958	0.014740
Farms	0.001621	0.001712
Mining activities	0.031552	0.033318
Developed Erven (households & businesses)	0.035175	0.037145

Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand outgrows the supply. Richtersveld Municipality carefully reviewed the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 4 Proposed Water Tariffs

Category Residential	Current tariff (1 July 2017)	Proposed tariff (1 July 2018)
0-6kl	11.33	11.93
7-20 kl	12.12	12.76
21+kl	12.95	13.64

Category Commercial	Current tariff (1 July 2017)	Proposed tariff (1 July 2018)
0-2 kl	13.80	14.53
3+kl	14.60	15.37

Category Industrial	Current tariff (1 July 2017)	Proposed tariff (1 July 2018)
0-2 kl	14.01	14.75
3+kl	14.81	15.59

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 6.84 % increase in terms of electricity sales will be effective from 1 July 2018.

Considering the Eskom increases, the consumer tariff had to be increased by a 8 per cent to offset the additional bulk purchase cost from 1 July 2018. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

Sanitation and Impact of Tariff Increases

Currently, sanitation operates at as surplus. In most cases, a tariff increase of 5.3% (inflation) for sanitation from 1 July 2018 is proposed. (as per circular 91).

The following table compares the current and proposed tariffs:

Table 5 Comparison between current sanitation charges and increases

Category	Current tariff (1 July 2017)	Proposed tariff (1 July 2018)
Availability	82.82	82.82
Suction tank removals	139.71	147.11
Sanitation	86.73	91.33
Excess removals (normal hours)	143.64	151.25
Excess removals (after hours)	287.28	302.51
Sanitation connections	2586.07	2723.13
Blockage services	350.98	369.58
Sanitation- Muisvlak	674.03	709.75
Sanitation- Guesthouses	180.88	190.47
Suction tank removal- Industrial areas	180.88	190.47

Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. In most cases, a tariff increase of 5.3% (inflation) for sanitation from 1 July 2017 is proposed. (as per circular 91) .

The following table compares current and proposed amounts payable from 1 July 2018:

Table 6 Comparison between current waste removal fees and increases

Category	Proposed tariff (1 July 2017)	Current tariff (1 July 2018)
Availability	71.52	75.31
Sales- Households	76.74	80.81
Sales- Commercial	287.92	303.18
Extra removals (bakkie)	426.22	448.81
Extra removals (truck)	791.76	833.72
Refuse removal- Muisvlak	673.92	709.64
Removal- Perishables	425.60	448.16
Guesthouses	146.44	154.20

Operating Expenditure Framework

The Municipalities expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset lease strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) ;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

Summary of operating expenditure by standard classification item

Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7 per cent for the 2018/19 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipalities budget.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This amounts to R9 058 793. This amount includes repairs and maintenance, fuel costs , etc.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipalities Indigent Policy. This process is reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Capital expenditure

For 2018/19 an amount of R26 661 700.00 has been appropriated for the development of infrastructure on the capital budget

NC061 Richtersveld - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding											
Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Administration: Corporate		-	-	-	-	-	-	-	-	-	-
Vote 3 - Administration: Community		-	-	-	-	-	-	-	-	-	-
Vote 4 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Infrastructure		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and council		21	-	-	161	161	161	161	48	-	-
Vote 2 - Administration: Corporate		401	3,359	1,948	195	195	195	195	23	-	-
Vote 3 - Administration: Community		288	56	603	800	800	800	800	-	-	-
Vote 4 - Financial Services		-	-	-	110	110	110	110	4	-	-
Vote 5 - Infrastructure		10,646	18,889	14,926	20,682	20,682	20,682	20,682	26,587	35,520	34,399
Capital single-year expenditure sub-total		11,356	22,304	17,477	21,948	21,948	21,948	21,948	26,662	35,520	34,399
Total Capital Expenditure - Vote		11,356	22,304	17,477	21,948	21,948	21,948	21,948	26,662	35,520	34,399
Capital Expenditure - Functional											
Governance and administration		422	3,359	1,948	1,249	1,249	1,249	1,249	72	-	-
Executive and council		21	-	-	161	161	161	161	48	-	-
Finance and administration		401	3,359	1,948	1,088	1,088	1,088	1,088	24	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		288	56	603	17	17	17	17	3	-	-
Community and social services		142	48	603	2	2	2	2	3	-	-
Sport and recreation		145	8	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	15	15	15	15	-	-	-
Economic and environmental services		7,573	7,441	14,926	1,481	1,481	1,481	1,481	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		7,573	7,441	14,926	1,481	1,481	1,481	1,481	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		3,073	11,448	-	19,201	19,201	19,201	19,201	26,587	35,520	34,399
Energy sources		-	72	-	7,000	7,000	7,000	7,000	4,000	6,400	1,920
Water management		577	9,928	-	6,000	6,000	6,000	6,000	15,000	21,782	25,000
Waste water management		2,496	1,448	-	6,101	6,101	6,101	6,101	7,487	7,338	7,479
Waste management		-	-	-	100	100	100	100	100	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	9	11,356	22,304	17,477	21,948	21,948	21,948	21,948	26,662	35,520	34,399
Funded by:											
National Government		11,232	18,889	14,926	20,382	20,382	20,382	20,382	28,287	35,520	34,399
Provincial Government		-	56	-	302	300	300	300	300	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	11,232	18,945	14,926	20,684	20,682	20,682	20,682	28,587	35,520	34,399
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	3,065	1,524	-	-	-	-	-	-	-
Internally generated funds		124	294	1,027	1,264	1,266	1,266	1,266	75	-	-
Total Capital Funding	7	11,356	22,304	17,477	21,948	21,948	21,948	21,948	28,662	35,520	34,399

NC061 Richtersveld - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Current assets											
Cash		502	359	538	2,341	245	245	245	16,007	21,579	28,130
Call Investment deposits	1	3,139	1,936	74	-	-	-	-	-	-	-
Consumer debtors	1	1,494	3,094	2,894	35,668	20,342	4,150	4,150	(1,155)	(1,155)	(1,155)
Other debtors		45	396	901	-	11,326	1,111	1,111	(1,228)	(1,228)	(1,228)
Current portion of long-term receivables		-	5	1	-	-	-	-	-	-	-
Inventory	2	124	210	323	186	186	186	186	340	340	340
Total current assets		5,305	6,001	4,731	38,195	32,099	5,692	5,692	13,964	19,536	26,088
Non current assets											
Long-term receivables		-	-	-	162	162	162	162	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		46,188	37,732	37,646	46,177	37,646	37,642	37,642	37,556	37,469	37,383
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	126,190	108,526	109,672	153,547	112,123	113,228	113,228	134,028	163,696	192,246
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		289	242	257	348	348	225	225	200	139	90
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		172,667	148,500	147,575	200,234	150,279	151,257	151,257	171,784	201,304	229,718
TOTAL ASSETS		177,973	152,500	152,306	238,429	182,378	156,948	156,948	185,748	220,840	255,806
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	704	1,038	1,447	1,399	1,399	1,399	1,399	1,399	1,399	1,399
Consumer deposits		862	898	915	1,025	1,025	1,025	1,025	960	990	1,020
Trade and other payables	4	5,214	8,360	13,504	10,968	19,393	9,657	9,657	8,814	9,375	9,977
Provisions		2,054	2,294	2,314	2,109	2,109	2,109	2,109	2,627	2,574	2,900
Total current liabilities		8,835	12,590	18,180	15,502	23,927	14,190	14,190	13,801	14,338	15,295
Non current liabilities											
Borrowing		296	2,642	2,102	0	703	703	703	-	-	-
Provisions		14,040	17,698	19,546	14,454	20,769	20,769	20,769	21,832	22,884	24,025
Total non current liabilities		14,336	20,340	21,648	14,454	21,472	21,472	21,472	21,832	22,884	24,025
TOTAL LIABILITIES		23,171	32,930	39,828	29,956	45,399	35,662	35,662	35,633	37,222	39,321
NET ASSETS	5	154,801	119,570	112,476	208,473	136,978	121,286	121,286	150,115	183,618	216,485
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		152,676	118,709	112,021	208,473	136,523	120,831	120,831	149,660	183,163	216,030
Reserves	4	2,126	861	456	-	455	455	455	455	455	455
TOTAL COMMUNITY WEALTH/EQUITY	5	154,801	119,570	112,476	208,473	136,978	121,286	121,286	150,115	183,618	216,485

Part 2 – Supporting Documentation

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee is incorporated in the Financial Steering Committee and consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipalities IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly

find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The IDP revision process is underway and the public participation process has been concluded and needs have been identified by the community members. As soon as the IDP has been completed the compilation of the SDBIP will take place.

Overview of budget related-policies

Draft financial policies will be reviewed and tabled with the final budget.

Overview of budget assumptions**External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipalities finances.

General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro- economic targets;
- The general inflationary outlook and the impact on Municipalities residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Salary increases

The collective agreement i.r.o. salaries/wages was concluded in 2014/15 financial year and will lapse end June 2018.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue, and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

NC061 Richtersveld - Table A7 Budgeted Cash Flows											
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		7,225	6,566	8,634	8,294	8,294	8,294	8,294	15,746	12,979	13,693
Service charges		12,824	18,943	19,640	20,049	20,049	20,049	20,049	33,704	28,198	29,749
Other revenue		5,483	2,691	4,420	3,260	3,260	3,260	3,260	5,153	5,057	5,335
Government - operating	1	20,073	19,027	17,924	18,104	18,859	18,859	18,859	19,343	19,372	21,289
Government - capital	1	10,607	5,202	7,680	20,684	20,684	20,684	20,684	26,587	35,520	34,399
Interest		2,166	390	187	430	430	430	430	2,787	2,430	2,564
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(37,127)	(47,425)	(50,162)	(45,339)	(48,190)	(48,190)	(48,190)	(60,007)	(62,509)	(66,109)
Finance charges		(190)	(95)	(558)	-	-	-	-	-	-	-
Transfers and Grants	1	(12,578)	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		8,483	5,500	7,764	25,481	23,385	23,385	23,385	43,314	41,047	40,920
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	1,120	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		11	-	-	(162)	(162)	(162)	(162)	162	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(10,325)	(6,172)	(8,998)	(21,948)	(21,948)	(21,948)	(21,948)	(26,662)	(35,520)	(34,399)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10,315)	(6,172)	(7,879)	(22,110)	(22,110)	(22,110)	(22,110)	(26,500)	(35,520)	(34,399)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		43	36	17	1,025	1,025	1,025	1,025	(65)	30	30
Payments											
Repayment of borrowing		(1,146)	(710)	(1,827)	-	-	-	-	(703)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,103)	(674)	(1,810)	1,025	1,025	1,025	1,025	(788)	30	30
NET INCREASE/ (DECREASE) IN CASH HELD		(2,935)	(1,346)	(1,925)	4,397	2,300	2,300	2,300	16,046	6,557	6,551
Cash/cash equivalents at the year begin:	2	6,577	3,642	2,295	(2,055)	(2,055)	(2,055)	(2,055)	245	16,291	21,848
Cash/cash equivalents at the year end:	2	3,642	2,295	370	2,341	245	245	245	16,291	21,848	28,399

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

NC061 Richtersveld - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	3,642	2,295	370	2,341	245	245	245	16,291	21,848	28,399
Other current investments > 90 days		0	0	242	0	0	0	0	0	0	0
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and Investments available:		3,642	2,295	612	2,341	245	245	245	16,291	21,848	28,399
Application of cash and investments											
Unspent conditional transfers		311	1,092	58	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	3,833	4,567	10,389	(18,736)	(7,658)	9,851	9,851	12,902	13,036	13,728
Other provisions		-	-	-	2,109	2,109	2,109	2,109	2,627	2,574	2,900
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	455	455	455	455	455	455
Total Application of cash and Investments:		4,144	5,660	10,447	(16,627)	(5,094)	12,415	12,415	15,984	16,066	17,083
Surplus(shortfall)		(503)	(3,365)	(9,835)	18,968	5,339	(12,170)	(12,170)	307	5,783	11,316

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

3. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2018 directly aligned and informed by the 2018/19 MTREF.

4. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

5. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

Municipal manager's quality certificate

I, Sydney Adams, acting municipal manager of Richtersveld Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name S. C. ADAMS

Municipal manager of Richtersveld Local Municipality (NC061)

Signature 

Date 2018.03.28

RICHTERSVELD MUNICIPALITY